

Message Text

UNCLASSIFIED

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-15 AID-05 EB-08

NSC-05 TRSE-00 SS-15 STR-05 OMB-01 CEA-01 L-03

H-02 PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07

IO-14 NEA-10 NSAE-00 OPIC-06 LAB-04 SIL-01

AGRE-00 /133 W

-----095184 191359Z /53

R 190824Z DEC 77

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 3666

TREASURY DEPT WASHDC

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON 3959

AMEMBASSY ROME

AMEMBASSY PARIS

UNCLAS TOKYO 19424

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: DISCOUNT RATE CUT RUMORED

1. SUMMARY: BANK OF JAPAN (BOJ) DISCOUNT RATE CUT OF 0.5 PERCENTAGE POINTS TO 3.75 PERCENT IS WIDELY RUMORED IN PRESS. END SUMMARY.

2. NUMEROUS PRESS REPORTS SPECULATE THE BANK OF JAPAN WILL REDUCE THE OFFICIAL DISCOUNT RATE BY 0.5 PERCENTAGE POINTS, FROM ITS CURRENT 4.25 PERCENT LEVEL TO 3.75 PERCENT. BOTH PRIME MINISTER FUKUDA AND FINANCE MINISTER MURAYAMA HINTED BROADLY ON FRI DEC 16 THAT FURTHER RELAXATION OF MONETARY POLICY WOULD BE UNCLASSIFIED

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UNDERTAKEN AS PART OF THE GOVT'S POLICY MEASURES TO ACHIEVE THE 7 PERCENT FY 1978 GROWTH TARGET BY DEC 15.

3. SOME PRESS ACCOUNTS PUT THE TIMING OF THE CUT BEFORE THE END OF THE YEAR. HOWEVER, THE BOJ IS EXPECTED TO INSIST THAT RATES ON SAVINGS ACCOUNTS BE REDUCED AT THE SAME TIME THE OFFICIAL DISCOUNT AND PRESUMABLY OTHER

LENDING AND DEPOSIT RATES ARE CUT. COMMERCIAL BANKS ARE
ALREADY CAUGHT IN A PROFIT SQUEEZE DUE TO NARROWING SPREADS
BETWEEN LENDING AND DEPOSIT RATES. A COORDINATED CUT IN
SAVINGS RATES TO AVOID DISINTERMEDIATION WILL REQUIRE THE
APPROVAL OF THE POST AND TELEGRAPHIC ADVISORY COUNCIL,
WHICH PASSES ON SAVINGS RATES PAID ON POSTAL SAVINGS, AS
WELL AS APPROVAL OF THE BOJ WHICH CONTROLS RATES ON BANK
TIME DEPOSITS. DELAYS IN THIS PROCESS CAN DRAG OUT THE
IMPLEMENTATION OF A DISCOUNT RATE CUT.
MANSFIELD

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRICE CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TOKYO19424
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770472-0028
Format: TEL
From: TOKYO USEEC
Handling Restrictions: n/a
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Litigation History:
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Original Classification: UNCLASSIFIED
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Original Previous Classification: n/a
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Retention: 0
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 178311
Secure: OPEN
Status: NATIVE
Subject: DISCOUNT RATE CUT RUMORED
TAGS: EFIN, JA
To: STATE TRSY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/83e55000-c288-dd11-92da-001cc4696bcc
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